

*Extra Information #4
03/9/09*

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From: PKAshton@aol.com
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To: Board of Selectmen
Subject: (no subject)

Members of the Board:

It is my understanding that you will be discussing the AVG articles and non-binding resolutions this evening in terms of making recommendations for the warrant. The following represent my comments and observations.

AVG Articles:

Stabilization Fund - we have no need for a separate stabilization fund or as it has been termed "another financial tool." We have sufficient reserve tools as it currently stands, between free cash, NESWC, E&D, and overlay surplus to name a few. The claim is that a benefit of a stabilization fund is that "it is available all year round" inferring that other reserves are not available year round. We witnessed late last summer that getting a fund balance such as free cash or NESWC certified by the state in relatively short order is not a problem, so the main justification for establishing yet another reserve fund is unfounded. When AVG requested a Special Town Meeting last October to consider spending reserves to reduce the tax rate, free cash and NESWC fund balances were not certified. However through the efforts of town staff and the state these fund balances were certified within a matter of few weeks, long before the time it took to call and hold the Special Town Meeting. Town staff has indicated that the main reason in the past for waiting on certifying these funds was for it to be done concurrently with setting of the tax rate, but there is no reason why it cannot be done shortly after the beginning of the fiscal year.

In 2003 when we spent the rest of the stabilization fund, it was done to fund an emergency need at the transfer station and DPW building to deal with a violation of DEP rules. No money had been put into this fund for over 10 years, a clear sign there was no need for it. At the time we decided to tap the rest of the stabilization fund because it was available and would not deplete free cash. Part of the thinking at the time as Mr. Berry rightly recalled was that we saw no need for this separate fund, and given the existence of several other reserve accounts which provide plenty of "financial tools." It appears that the real purpose of this article is to make it more difficult to spend money from the fund as it requires a two-thirds vote to do so. I see no reason to establish (or resurrect? - not clear) a stabilization fund at this point in time.

2. **Use of free cash/NESWC money to reduce the tax rate** - since no details were offered on this it is a little difficult to comment other than to say if the order of magnitude is anything like what was proposed last October then it makes absolutely no sense. The current direction from the Finance Committee is to use about \$2 million in reserves to fund the budgets for FY10. Given that it is clearly necessary to maintain services or allow only relatively minor cuts in services through the use of some reserves, I believe it would be foolhardy to use any reserves to reduce the tax rate. We continue to be in extremely difficult economic times, the future is highly uncertain (indeed we have never witnessed this level of

uncertainty since the 1930s), and we need to protect our reserves as best as possible while also attempting to maintain services. Furthermore, and perhaps most important, the citizens of this town spoke loud and clear last October when they voted by a very clear majority that they did not want to use reserves in these times of economic uncertainty and turmoil to reduce the tax rate. Nothing has changed. I would certainly vote not to recommend this article, and frankly find it insulting that it has been brought back for a second town meeting vote.

3. Provide the Fincom with a budget - this request is at best puzzling and at worst shows a complete lack of understanding how the Fincom operates. For as long as I can remember, the Fincom has had its own budget to do with as it pleased. Originally it was \$25,000 and over the years has dwindled down to slightly over \$1,000. The reason for the decline is plain and simple. The Fincom has NO NEED for it and has wisely taken it down to a reasonable amount. Also with a bottom line budget, there is no need for a reserve account which is what part of it went toward. As with many other committees in town, the clerk takes the minutes and does a very capable job (of course on that front I am probably biased!) As you know it is ultimately the Clerk's responsibility on all committees for the preparation and review of the minutes, and thus I see no reason for spending more of the taxpayer's money for a stenographer. If the money is to go to someone to maintain the ALG spreadsheet as I have heard more recently (it is interesting that the real purpose keeps changing!), this is also a waste of money as it is (and was) maintained by staff and was formerly done by a volunteer (and I would happily volunteer to do the same again at no charge).

Furthermore, AVG did not consult or ask the Finance Committee if they believed this was a good idea – in fact this article was characterized at one public meeting as “a last minute idea.” At the very least, one would have thought that AVG would have consulted with the Finance Committee on this request, as they better than anyone else would be able to determine whether this is a wise expenditure of money. The Finance Committee has now indicated that they do not believe it is wise, and thus this proposal ironically would represent a complete waste of taxpayers' money.

AVG Resolutions:

4. Adopt a reserve policy – This is moot and should be passed over. The Fincom has developed a policy regarding reserves which essentially codifies the practice that the town has followed with the full support of the voters for at least the last 15 years. It is my understanding that the Selectmen have adopted this policy and thus there is no need for this resolution. Our bond rating agencies consistently have commented favorably on our reserve position and by implication the de facto policies that oversaw that position which the Fincom has now decided to put into writing. I would oppose any attempt to use this resolution as a means to argue that a different policy be adopted as that would be outside the scope of the resolution as written by AVG in their December letter to you. Such a move should be opposed by the Selectmen.

5. Capital projects as separate articles - it has been my understanding that this has been the practice of the Selectmen for many years (certainly was when I was a Selectman). While several items are sometimes combined into a single article for ease of presentation, that makes it no less difficult to amend the motion to remove one if it is felt to be not in the town's best interest. To have separate articles for each and every capital item no matter how large or small will simply drag out town meeting, cause undue delay and serve no purpose that is

not already served by current practice. There is no need for this resolution.

6. **Break out all debt and interest costs as separate articles** - again I see no useful purpose in this resolution and an attempt to use this as a means to move away from a bottom line budget. The ALG plan already breaks out all excluded debt, and all debt included inside Prop 2 1/2 is separately included in the operating budgets of the respective entities and can be plainly found within those budgets. For example, such information was routinely included in the 26 line municipal budget, as well as the large budget book as found in the Finance Department's budget as well as in the Municipal Budget supplement available at town meeting. This would be a bad precedent to set and would serve to undermine the bottom line budget authority which the Town Manager and the Superintendent have had for many years and thus should be opposed.

I trust the Board of Selectmen will oppose each and every one of these articles and resolutions for the reasons stated above.

Regards,

Peter K. Ashton

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